

Message Text

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21

ACTION NEA-10

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TRSE-00 SS-15 STR-04 OMB-01 CEA-01 XMB-02 FRB-03

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FM AMCONSUL MADRAS

TG RUEHDC/USDOC WASHDC

INFO SECSTATE WASHDC 3023

AMEMBASSY NEW DELPI

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

LIMITED OFFICIAL USE MADRAS 1145

E.O. 11652: N/A

LAGS: EIND, EINV, IN

SUBJECT: FOLLOW-UP ON GENERAL TIRE - TAMIL NADU RUBBER PRGJECT
AND AMERICAN COMMERCIAL BANK CREDIT

(A) MADRAS 735; (B) MADRAS 441; (C) MADRAS 353;
(D) NEW DELHI 5367

1. THE RS. 25 MILLION TAMIL NADU RUBBER TIRE PROJECT (TNR2, IN WHICH GENERAL TIRE OF THE U.S. HAS A CLGOABORATION, SEEMS TO HAVE OVERCOME SOME OF THE FINANCIAL AND ADMINISTRATIVE DIFFICULLIES REPORTED IN REF A, BUT A MAJOR QUESTION MARK, AND AN OPPORTUNITY FOR US, IS WHETHER CREDIT FROM EXIMBANK OR AMERICAN BANKS WILL BE AVAILABLE, IN THE PROCESS THROWING BACK A SUBSTANTIAW AMGUNT OF EXPORTS TO U.S. SOURCES. REF D BRINGS GUT THE IMPORTANCE OF AMERICAN FINANCING: AMERICAN FIRMS EXPECT TO SELL EQUIPMENT VALUED AT \$7 MILLION FOR THE JK GROUP TIRE PROJECT IN RAJASTHAN (WHICH HAS EXIMBANK FINANCING), WHILE FOR EACH OF THE FIVE OTHER TIRE PROJECTS, EQUIPMENT SAME PROSPECTS WITHOUT SUCH FINANCING IS LIMITED TO \$2 MILLION EACH, BUT WOULD BE IN THE NEIGHBORHOOD OF \$7 MILLION IF U.S. FINANCING IS AVAILABLE.

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2. ACCGRDING TO TNR EXECUTIVE DIRECTOR M.S.V. THATHAM DIFFICULTIES IN OBTAINING CAPITAL FROM MALAYSIA HAVE BEEN SORTED OUT AND A.R. NAGARAJAN WILL BE ABLE TO RAISE THE CAPITAL WHICH HE PAD PLEDGED. IN REFTEL A WE REPORTED THAT A CONFLICT HAD DEVELOPED BETWEEN THE TAMIL NADU INDUSTRIAL DEVELOPMENT CORPORATIGN (TIDCO) AND A.R. NAGARAJAN, THE CHIEF PRIVATE INVESTOR IN THIS PROJECT, OVER THE QUESTION OF EFFECTIVE CONTROL OF THE PROJECT. THIS CONFLICT HINDERED ALL PROGRESS ON THE LNR PROJECT. THATHAM HAS GIVEN US A LETTER FROM THE INDUSTRIES DEPARTMENT OF THE GOTN WHICH STATES IN EFFECT THAT THE CONFLICT HAS BEEN RESOLVED IN FAVGR OF NAGARAJAN.

3. EARLIER (REF B) WE REPORTED THAT THE BANK OF AMERICA HEAD OFFICE TURNED DOWN A PROPOSAL FOR LENDING \$645,000 TO TNR. TPATHAM NOW INTENDS TO GO BACK TG CHASE MANHATTAN BANK AND MANUFACTURERS HANGVER TRUST, WHO HAD EARLIER INDICATED AN INTEREST IN PROVIDING SOME OF THE FOREIGN EXCHANGE FOR THIS PROJECT TO SEE IF CREDITS MIGHT STILL BE AVAILABLE. THE FOREIGN EXCHANGE PACKAGE (REPORTED REF C) INCLUDES RS. 12 MILLIGN IN FOREIGN EXCHANGE FROM DUTCH CREDITS AND RS. 10 MILLION IN FOREIGN EXCHANGE FROM FRENCH CREDITS. THANHAM FEELS THERE IS NO PROBLEM WITH THE FORMER AS DUTCH TERMS OF DELIVERY ARE STILL SATISFACTORY. MOREOVER AS SEVERAL OF DUTCH FIRMS HAVE LICENSING AGREEMENTS WITP U.S. FIRMS ITMES SUPPLIED UNDER DUTCH CREDIT WOULD THROW SOME EXPORTS BACK TO U.S. SOURCES. RE THE FRENCH CREDIT OF RS. 10 MILLION HOWEVER, THATHAM FEELS THEIR PRICES AND TERMS OF DELIVERY ARE UNSATISFACTORY. MOREOVER, AS FRENCH FIRMS DO NOT USE AMERICAN COMPONENTS NG EXPGRTS WOULD BE THROWN BACK TO THE U.S. IN HIS NEXT GOAROUND WITH AMERICAN BANKS THATHAM INTENDS TO APPROACH THEM FOR A LOAN OF \$1.25 MILLION TO REPLACE THE FRENCH CREDIT ENTIRELY.

4. WE ARE SUGGESTING TO THATHAM THAT HE CONTINUE TO ASK AMERICAN BANKS ABOUT CREDIT POSSIBILITIES ESPECIALLY ONES WHICH MIGHT NOT HAVE LOANED UP TO THEIR LIMITS IN INDIA. THATHAM REPORTS THAT MANUFACTURERS HANOVER TRUST AND CHASE MANHATTAN HAVE INDICATED INTEREST. THATHAM STATED THAT THE GOI DOES NOT WANT TNR TO RENEW REQUEST FOR EXIMBANK FINANCING. IT APPEARS TO US THAT IF AMERICAN BANKS ARE WILLING TO LOAN \$1.25 MILLION TO REPLACE THE FRENCH CREDIT, THIS WOULD MEAN SOURCING IN THE U.S. LIMITED OFFICIAL USE

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5. ACTION REQUESTED: POST WOULD APPRECIATE RECEIVING USDOC'S SUGGESTIONS OF PGSSIBLE AMERICAN BANKS THAT MIGHT BE INTERESTED IN PROVIDING CREDIT FOR THIS PROJECT. EAVES

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Message Attributes

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